Is imperial strategy driving HSBC's move to Paris?

By Elisa Barwick

"Yes, so far as we are concerned, the headquarters of the money power is Britain. But the money power is not a British institution…. It is of no nationality, but of all nationalities. It dominates the world."

-The Brisbane Worker, 5 January 1907

The seat of world financial power in the City of London, with its adjunct on Wall Street, is facing dramatic economic and political changes which could shake it from its throne. The quote above, which expresses the early 1900s fight waged by the Australian Labor Party against what politicians such as King O'Malley and Jack Lang dubbed the "Money Power" (back page), illustrates that the elite and wealthy families which comprise this nexus are willing to metamorphose in any way necessary to maintain control.

A new global financial crisis; the economic rise of China; moves by a growing number of nations to trade in national currencies, potentially sidelining the US dollar as the world's main reserve currency; the return of protectionism; and the UK's exit from the European Union, are just some of the perils that lie ahead of London's financial elite. Not to mention the series of dramatic political changes sweeping the globe, bringing the voice of the people back into politics, which could soon culminate in the election of UK Labour leader, Jeremy Corbyn as Prime Minister.

Brexit

On 6 August British banking giant HSBC announced it would be moving seven offices, which coordinate the bank's business in Europe, from London to Paris. The offices coordinate bank activity in Italy, Spain, the Netherlands, Belgium, Luxembourg, Czechia and Ireland.

The UK is due to exit the EU on 29 March 2019, and the HSBC move, shifting 1,000 British jobs to France, will occur exactly then—at the end of the first quarter of 2019. While HSBC's statement does not refer to Brexit, saying only that it is "adjusting its activities" in light of "political and regulatory developments in Europe", many British banks are concerned about the consequences of a "hard" Brexit. That means an exit where the UK has been unable to negotiate arrangements to ensure continued privileged economic access to EU markets, in particular for its financial services sector, worth 11 per cent of its economy. Without a new arrangement, British firms will lose "passporting rights" which allow them to operate freely in the EU.

The City of London is an unregulated banking haven, and the centre of a global web of lawless "offshore" jurisdictions based in Britain's overseas territories. This structure dominates global tax evasion and money laundering, and draws in corrupt flight capital. London also dominates the global and European trade in fraudulent, toxic financial derivatives, which caused the 2008 financial crisis. The priority for the Theresa May government's Brexit negotiators has been to preserve the City's financial dominance in Europe, even to the point that Chancellor of the Exchequer Philip Hammond threatened in January 2017 that if negotiations broke down, London would establish itself as the "tax haven of Europe".

According to a report in the *Financial Times*, it has just emerged that in a Downing Street meeting on 16 June, Hammond warned UK financial services leaders that the EU would try to bind up the UK in red tape after Brexit, saying that France was pushing "politically motivated rule changes", which would tighten the regulations by which outsiders could operate in the EU, thus putting the UK at a disadvantage.

Photo: Flickr

The French Finance Ministry denied it would use Brexit to crack down on City banking operations, stating that "the rules are the same for everyone in Europe and are not going to specifically target the UK", and that they only wish to have sufficient rules in place to ensure "financial stability across the continent".

According to the *FT*, the Chancellor urged the gathered financial chiefs to collaborate with the Treasury and the Bank of England to develop "alternative pathways for growth", such as expanding operations in emerging markets, to make up for losses in Europe. Such a parallel strategy is important, so that a "threat to pull out of EU arrangements is seen to be real", Hammond told the meeting, a participant told the *FT*. Participants included leaders of the European Financial Services Chairmen's Advisory, Association for Financial Markets in Europe, Association of British Insurers, Investment Association, UK Finance, and TheCityUK, the PR organ of the City of London Corporation, the powerful and ancient body that runs the financial district.

The City of London Corporation worked closely with the UK Treasury and the Bank of England following the 2008 global financial crisis to reposition itself to dominate the growing financial flows emanating from China, in order to corner the trade in the currency which could come to rival the US dollar and to secure an indispensable role as Europe's gateway to China. HSBC played a major role in this strategy. ("The City of London's China pivot", *AAS* 11 July.)

Who's muscling out whom?

Is the greater danger France edging London out of its domination of European finance, or London using Paris as its new outpost in Europe? Paris also happens to be a major financial centre and hub for offshore financial activity.

According to Reuters, HSBC has said all along it would be the last to move out of London, as it is already able to operate seamlessly from its French subsidiary, which is fully licensed under French law. And compared with most of the other hundred or so banks making a similar shift, HSBC is in a class of its own. It is the largest British and European bank, and has an inordinate and long-term interface with the British government. It is the dirtiest bank in a dirty system (p. 10).

It is possible that HSBC will play the role of conduit for London business in Europe, using Paris as an outpost not unlike Hong Kong, to keep control of the European money flows it has long monopolised. The City "provides three-quarters of EU hedging and foreign exchange, and half its lending and securities transactions", reported a July 2017 *FT* article. Although Hammond accused French President Emmanuel Macron (who has openly wooed top executives and financiers to make the move) of manoeuvring to take over London's position of dominance in European finance, it could end up working the other way.

HSBC: The criminal enterprise facilitating imperialism

The British Empire "faked its own death", Nicholas Shaxson wrote in his 2010 book *Treasure Islands: Tax havens and the men who stole the world*. While decolonising African nations, it built a web of tax havens designed to intersect the world's biggest criminal money flows, establishing what a 1996 Chatham House (Royal Institute of International Affairs) report called an "informal financial empire", via London and its offshore bases.

We provide here a summary of some of HSBC's dirty dealings, which reveal its role in this operation. (For its origins as the opium-trading Hongkong and Shanghai Banking Corp., see box p. 11) These highlights are drawn from the CEC's voluminous dossiers on "Crimes of the Banks" worldwide.

Predatory banking

In 2002 HSBC bought predatory subprime mortgage lender Household International, which had just been caught deceiving its borrowers and had agreed to the largest ever settlement in a predatory lending case. HI was the second largest consumer finance firm in the USA at the time. With HSBC in the game, securitisation of subprime mortgages—the spark for the 2007-08 financial crash—took off.

HSBC continued to sell dodgy securities such as collateralised mortgage obligations (CMO) and auction-rate securities (ARS) to its customers as markets imploded in 2007. It played a role in facilitating the Bernie Madoff Ponzi Scheme. A lawsuit was filed on behalf of defrauded investors in 2010, claiming that HSBC had enabled the Madoff scheme through a network of feeder funds based in Europe, the Caribbean and Central America.

Money laundering

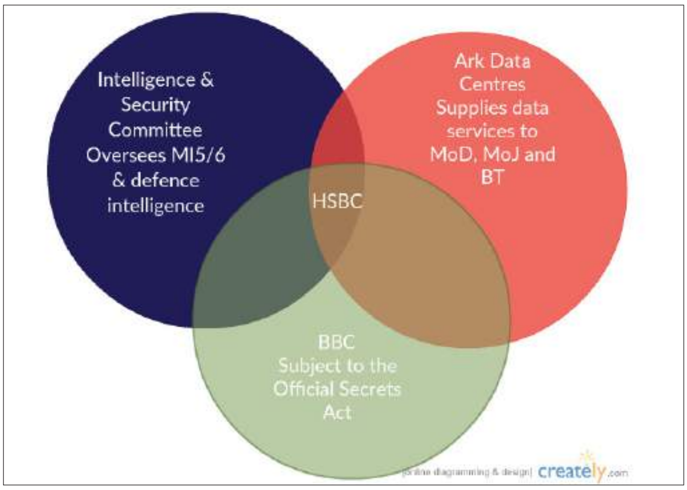
In 1999 HSBC acquired the offshore-vectored interests of billionaire investor Edmond Safra, the Republic National Bank of New York and the Swiss bank, Safra Republic Holdings, which specialised in tax evasion and looting billions of dollars out of Russia through offshore conduits. Safra money had established Hermitage Capital Management, which was also swept up by HSBC. Hermitage ran complex financial investments in Moscow under the direction of William Browder, the man responsible for the anti-Russia Magnitsky Act ("Behind the Magnitsky hoax: HSBC's offshore crime machine and the new Cold War against Russia", *AAS* 26 July 2017).

HSBC also took over Republic National Bank's client relationship with the Al Rajhi Bank of Saudi Arabia, which provided support for Osama bin Laden and the al-Qaeda terror network, along with the bank's Mexico unit, which had connections to the underground economy. HSBC later acquired the Mexican bank Grupo Financiero Bital.

The 9/11 Commission found in 2004 that Al Rajhi Bank was a conduit for funds to the 9/11 hijackers; it was named among other Saudi banks, companies and charities, as a defendant in lawsuits over the attacks. In 2005, HSBC recommended its affiliates sever ties with the bank, but reversed that decision four months later.

The US Senate Permanent Subcommittee on Investigations, looking into criminal bank activity, revealed in 2012 that HSBC knew what it was getting with its Bital purchase: "A pre-purchase review disclosed that the bank had no functioning [anti-money laundering] compliance program". One week after the acquisition Denise Holt, who later became a HSBC director (2011-present), became the UK ambassador to Mexico.

Chairman of the Senate inquiry Sen. Carl Levin concluded in his report that HSBC had been party to "a wide array of money laundering, drug trafficking, and terrorist financing." HSBC was only fined, with state and federal authorities deciding against indicting the bank, for fear it could destabilise the financial system. British Chancellor George Osborne and the UK Financial Services Authority (FSA) warned of "global financial disaster" if HSBC were prosecuted.



Whistleblower Nicholas Wilson has exposed extensive HSBC intersection with government and other agencies. Photo: nicholaswilson.com

Personnel overlap

HSBC's Chief Executive Officer Keith Whitson was on the board of the FSA when the Safra and Bital takeovers occurred. Sir Brian Moffat, HSBC director (1998-2008) and deputy chairman, was a director of the Bank of England in 2000-06, while HSBC's criminal infrastructure was being set up.

HSBC's chairman in 2006-10, Stephen Green, was appointed UK minister of state for trade and investment in 2011. He later chaired the Advisory Council to TheCityUK, the City of London Corporation's PR unit, until HSBC's Swiss tax evasion scandal in 2015 forced him to step down.

Lord Robin Butler of Brockwell, a HSBC director in 1998-2008, ran a cover-up of the British-Saudi al-Yamamah oil-for-arms deal, which had created a slush fund for terrorism (*Stop MI5/MI6-run Terrorism!*, CEC pamphlet, 2017), and whitewashed Tony Blair's war crimes with his Butler Review, following the Hutton Inquiry into the intelligence that led to the 2003 Iraq War.

The bank has also maintained its notorious ties with British Intelligence, exemplified by the careers of Lord Jonathan Evans of Weardale, a current HSBC director, and Sherard Cowper-Coles. Evans, head of MI5 in 2007-13 after working as its leading expert on al-Qaeda, joined the board of HSBC Holdings soon after his retirement. Career diplomat and top MI6 figure Cowper-Coles, as UK Ambassador to Saudi Arabia in 2003-06, was instrumental in forcing Britain's Serious Fraud Office to drop its investigation of al-Yamamah. Cowper-Coles today is an advisor to HSBC's senior executives.

UK whistleblower Nicholas Wilson has documented the overlap between HSBC, British bank regulators, the security services, BBC television and the leading government data services contractor. He reveals that "There is now a HSBC connected person on the Board of Directors of every single Committee of the FCA [Financial Conduct Authority, successor to the FSA]".

Ark Data Services, the company that supplies data services to the Cabinet Office, government ministries, MI5, MI6 and GCHQ, has on its board of directors the aforementioned Lord

Evans. The former chairman of HSBC Private Bank, Lord Robin Janvrin, sits on the Lords Intelligence and Security Committee, which oversees the work of GCHQ, MI5, MI6 and the Ministry of Defence. And "prior to her becoming Chair of the BBC Trust ... Rona Fairhead, a HSBC director was in the Cabinet Office which also has responsibilities for the security services", says Wilson.

Fines and warnings

HSBC's repeated fines for misconduct demonstrate its entrenched criminality. It was warned in 2007 by the US Securities and Exchange Commission (SEC) to cease and desist violating securities laws in operations on behalf of the Pension Fund of America, and paid a $10 million penalty. In 2010, HSBC paid a fine of $1.5 million, imposed by Wall Street's private watchdog, the Financial Industry Regulatory Authority (FINRA), for abusing customers by sales of worthless securities; later that year another $375,000 was forked out for unsuitable sales of collateralised mortgage obligations. In 2010, the US Federal Reserve demanded that HSBC "improve its procedures" for preventing money laundering by customers. In 2011, HSBC agreed to pay $62.5 million to settle a claim from a fund channelled into Madoff's Ponzi scheme. The FSA fined HSBC £10.5 million in 2011 for selling inappropriate financial products to elderly customers in nursing homes, and ordered the bank to pay £29.3 million in compensation.

US authorities fined HSBC $1.92 billion for allowing money laundering by criminal and terrorist networks in 2012. It was the third time since 2003 that the bank had officially agreed to US orders to cease misconduct. In 2013, HSBC paid $249 million to settle foreclosure abuse charges brought by US regulators. The same year, Argentina's tax agency filed criminal charges against a HSBC subsidiary for using fake receipts to assist tax evasion and money laundering. To settle charges of abuses in the sale of mortgage-backed securities to US government housing agencies Fannie Mae and Freddie Mac, in 2014 HSBC agreed to pay $550 million to the Federal Housing Finance Agency. HSBC was fined $275 million in 2014 by the US Commodity Futures Trading Commission and £216 million by the UK's FCA for its role in manipulating world foreign exchange markets. Various European nations recovered taxes and fines from HSBC after former HSBC employee and whistleblower Hervé Falciani revealed tax evasion via covert Swiss operations in 2015. HSBC agreed to pay £28 million for aggravated money laundering before the Swiss closed their investigation and imprisoned Falciani for five years instead, for financial espionage, data theft and violation of banking secrecy. In 2016 families of American citizens murdered by Mexican drug gangs sued HSBC under the *Anti-Terrorism Act*.

HSBC: The bank of opium

The banking giant HSBC, formerly known as Hongkong and Shanghai Banking Corp., has been the kingpin of the global drug trade, since the bank's founding in 1865. HSBC is, in fact, one of the key controlling institutions of the global illicit drug cartel called "Dope, Inc." ...

HSBC was founded in Hong Kong in 1865 as the Hongkong and Shanghai Banking Company by a consortium of British opium-, silk-, and tea-trading companies, which were the spawn of the British East India Company. The consortium included Jardine Matheson, Dent & Company, David Sassoon & Company, James Innes, and Boston's Russell & Company. Also supporting the new bank was the Peninsular and Orient Steam Navigation Company, which itself has a sordid history in the dope business.

The opium trade began in the early 1700s as an official monopoly of the British East India Company (the "Company"), which conquered India, and ran it on behalf of the British Crown and the financiers operating through the City of London. Indian-grown opium became a key component in the trade for tea and silk in China.

The Company had a thriving business selling British textiles and other manufactured products in India, and Chinese silk and tea in Britain. But the British did not want to pay cash (silver) to the Chinese Emperor for their silk and tea. They determined instead to unload Indian-grown opium in China as "payment".

But the Company ran into problems with the opium end of the trade. The influx of opium caused major problems for China, and led the Emperor to issue an edict in 1729 prohibiting opium consumption. Then, in 1757, the Emperor restricted all foreigners and foreign vessels to a trading area in the port city of Canton. A stronger edict in 1799 prohibited the importation and use of opium, on penalty of death.

None of this stopped the British from continuing to flood China with opium, creating millions of addicts, but it did cause the East India Company to protect its tea and silk trade by shifting its Chinese opium operations to nominally independent drug-runners, who bought opium legally from the Company in Calcutta, and smuggled it into China.

The most prominent of these drug-running firms was Jardine Matheson & Co. It was founded in 1832 by two Scotsmen, William Jardine and James Matheson. Jardine had been a ship's surgeon with the East India Company, while Matheson was the son of a Scottish baronet. The firm today is controlled by the Keswick family.

In 1839, the Chinese Emperor launched an anti-opium offensive, which included the confiscation of all opium stocks in the hands of Chinese and foreign merchants. The merchants put up a fight, but were ultimately forced to concede, turning in their opium stocks after being indemnified against losses by British officials. In response, however, the British launched a propaganda campaign against China, accusing it of violating Britain's right to "free trade". Britain sent its fleet to China, to force the Chinese to capitulate to the opium trade.

The action, known as the First Opium War, resulted in the Treaty of Nanking in 1842, under which China was forced not only to accept the opium, but also to pay reparations to the opium runners, and cede control of Hong Kong coastal enclave to the British. The treaty did not, however, specifically legalise opium, so the British launched a second Opium War, which resulted in the 1856 Treaty of Tientsin, which legitimised the opium trade and further opened China to foreigners.

As the opium and other trade with China expanded, Britain's new territory of Hong Kong became an imperial commercial centre. The opium dealers gathered together to form a bank, the Hongkong and Shanghai Bank, as the financial flagship of the British opium trade. Over time, the bank—now known as HSBC—would extend its reach into the drug fields of the Middle East and Ibero-America, as befitting its role as the financial kingpin of Dope, Inc.

Excerpted from "HSBC is the face of Britain's Dope, Inc.", Executive Intelligence Review, *27 February 2015.*